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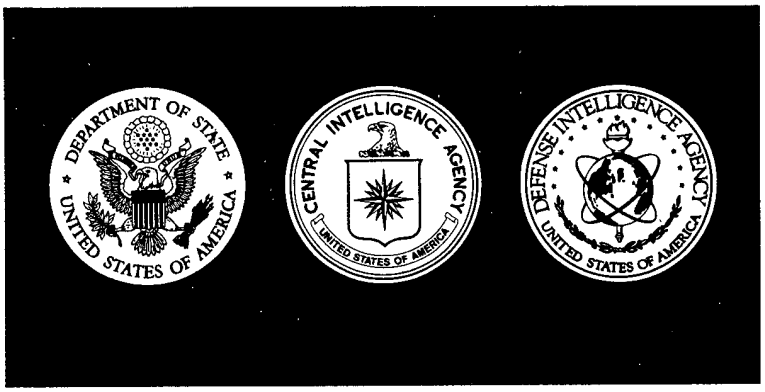

The Implications of the Iran-Iraq Agreement

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THE IMPLICATIONS OF THE IRAN-IRAQ AGREEMENT

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THE IMPLICATIONS OF THE IRAN-IRAQ AGREEMENT[1]

OVERVIEW

Iran has long sought to persuade Iraq to accede to Tehran's definition of the border between the two countries, especially along the Shatt al-Arab waterway. Anxious to establish his own hegemony in the area, the Shah has also sought to restrict Iraqi influence and covert activities in the region, as well as to eliminate foreign leftist influences at work in Baghdad. The Algiers agreement of early March between Iran and Iraq appears to have achieved the Shah's first goal; whether the Shah's other objectives can be attained seems more doubtful. Iraq has been freed of its entanglement in the Kurdish rebellion and, for the time being, of the prospect of a confrontation with Iran. Baghdad's foreign policy options have been substantially increased.

We speculate below on the implications of the Algiers agreement for the participants, other countries in the region, and the great powers.

[1] This paper was produced under the auspices of the National Intelligence Officer for the Middle East. It was drafted by CIA (OCI) and coordinated with State/INR and DIA.

DISCUSSION

The Algiers Accord

1. The Shah of Iran and Iraqi strongman Saddam Husayn Tikriti signed an agreement on March 6 intended to resolve long-standing border differences which had led to a number of serious clashes during the past year. Both governments gained important advantages from the accord; Iraq's rebellious Kurds [2] were the big losers.

2. The agreement consists of a public accord which involves reciprocal responsibilities on two points:

— demarcation of land and river boundaries;

— the exercise of strict border control and prevention of infiltration of subversives.

The two sides describe the accord as indivisible; violation of a single provision nullifies the whole package.

3. Statements and actions by both sides since March 6 point to the existence of a secret understanding, the exact terms of which are still unknown. The Shah clearly promised to withdraw Iran's military assistance from the Kurds. This could not be spelled out in the public accord because Tehran always denied giving such help. The disposition of Kurdish refugees in Iran probably was also discussed. Both sides obviously agreed to end hostile propaganda. The activities of foreign powers in the Gulf may also have been treated in Algiers; this has been the theme of statements by officials of both governments and by their countries' media since the signing.

4. Baghdad's main concession was its acceptance of Tehran's formula for demarcating the disputed southern river boundary according to the thalweg principle (i.e., center of the navigational channel). Iraq had previously insisted that the 1937 treaty setting the border along the Iranian shore of the Shatt al-Arab gave Iraq total control of navigation on the river—and hence over access to Iran's Abadan refinery and the port of Khorramshahr. Baghdad was unable to enforce this claim, however.

5. Strict observance of the border control provision would benefit both sides. It would end the sending of Iraqi-trained subversives into Iran to stir up anti-government sentiment among minority groups, particularly the Arab population of Khuzestan. Iranian dissidents presumably would no longer be allowed to promote their activities from Iraqi territory. The major consequence of the provision, of course, is that it has brought an end to Iranian military assistance to the Kurds. This was Iraq's objective and Iran's principal concession.

6. The withdrawal of Iran's aid reduced the Kurds' options essentially to maintaining low-level guerrilla activity, surrendering to Baghdad, or going into exile. The accord thus holds out the prospect to Baghdad that—freed from a debilitating internal conflict—it can devote more resources to development.

7. Some evidence suggests that the Shah thought the accord also included a pledge from Saddam Husayn at least temporarily to freeze the military situation in Iraq and possibly to open negotiations with the Kurds. Immediately after the accord was signed, however, Baghdad ordered an all-out offensive. It continued for about a week until the Shah was able to arrange a cease-fire two days before a previously scheduled meeting of foreign ministers in Tehran on March 15 to work out the implementation of the agreement. The cease-fire, along with Baghdad's offer of amnesty to rebellious Kurds, expired on April 1 and Iraq completed its military oc-

[2] Iraqi Kurds number about 2 million; they make up about 18 percent of the population. There are about 3 million Kurds in Turkey, 1.5 million in Iran, and several hundred thousand in Syria.

cupation of all Iraqi Kurdistan. It met little opposition. Baghdad, under prodding from Tehran, did extend until the end of April—and then for an additional 20 days—the period during which Kurdish refugees in Iran could return to Iraq.

8. Border demarcation and control has proceeded smoothly under the guidance of commissions created by the foreign ministers. The Shatt al-Arab has been surveyed, and jointly-manned control posts have been established in both countries to monitor the implementation of the Algiers agreement. A second meeting of foreign ministers was held in mid-April and a third is scheduled for mid-May. The refugee problem has been discussed, along with the possibility of wider cooperation. Saddam Husayn went to Tehran in late April; the Shah is to return the visit later this spring.

Motivations

9. Iraq has long been the focus of Iran's most intense hostility and suspicion because of ethnic, religious, and political differences. The Shah has regarded Baghdad as a stalking-horse for Soviet ambitions in the Gulf and as a source of subversion throughout the region. For some time the Shah has been using Iraqi Kurds to divert Baghdad's attention and resources away from interference in Gulf politics, to encourage political instability, and indirectly to promote Iran's interest in border rectification. Never did the Shah consider aid to the Kurds an open-ended commitment, however. He did not support their goal of autonomy out of fear it would encourage similar sentiments among Iranian Kurds.

10. The Kurdish equation took on new dimensions last summer when Baghdad decided to use its Soviet-equipped army to seek a "final solution" to its Kurdish problem. Baghdad launched an offensive against rebel-held territory that eventually engaged 80 percent of Iraq's army.

11. To halt the Iraqi offensive and to preserve his Kurdish card, in August the Shah introduced Iranian artillery and air defense units directly into the fighting inside Iraq. The intervention, plus the onset of bad weather, eventually stopped the Iraqi advance. The Kurds, however, were unable to regain any lost territory during the winter, as they had usually managed to do in past years.

12. The Kurdish failure left the Iraqi army in a good position to renew its offensive this spring. The Shah was faced with the prospect of having to increase the already sizable Iranian military commitment if the Kurds were to keep up the fight. The Shah, concerned about the growing possibility of an all-out military confrontation with Iraq and the wider implications of such a policy, decided against deeper involvement.

13. This decision made, the Shah could only conclude that his bargaining position would steadily erode once the anticipated Iraqi spring offensive began. He therefore made the best deal he could at Algiers. The Iraqi concession on the Shatt al-Arab—no small matter in itself—was a necessary minimum in the Shah's eyes as a plausible explanation for his sudden turnaround in reaching an accord with a bitter adversary.

14. The Shah realized that deeper involvement in the Kurdish fight would jeopardize a larger regional goal—closer cooperation with moderate Arab states. Expanded Iranian military intervention would have caused him problems throughout the Arab world at a time when he was trying to improve relations with Egyptian President Sadat and other moderate leaders. Arab governments were feeling Iraqi pressure to intervene to secure an end to Iranian intervention. Cairo, in particular, was arguing that ending the confrontation would help draw Iraq into the Arab political mainstream and lessen its dependence on the Soviet Union. The Shah was concerned over Moscow's growing influence in Baghdad, and Cairo's argument may have influenced him.

15. Pursuit of the military campaign against the Kurds also entailed risks for Saddam Husayn and might have brought his downfall. As in previous years, policy toward the Kurds was causing splits within the ruling group in Baghdad. The Iraqi strongman had made a personal commitment to a military solution and his prestige was on the line. Yet there were serious problems developing within the military over heavy casualties and over Baghdad's inability to respond effectively to Iranian intervention. Also, the military campaign monopolized national attention and resources, and the need for military supplies circumscribed Baghdad's freedom in dealing with Moscow.

16. Yet Saddam Husayn felt he could not afford to end the campaign and admit failure. Since the immediate need was to neutralize Iran, he decided to pay the required price and accept Iran's view on the Shatt al-Arab.

Durability of the Accord

17. The provisions of the agreement are being implemented. Both sides appear to have complied with their part of the bargain and have a mutual interest, for the moment, in keeping the accord intact.

18. Problems may yet develop, however. The Shah, in effect, traded performance for promises in Algiers, and there are few assurances that Iraq will want to honor all those promises once it has mastered its Kurdish problem.

19. Iran's leverage over Iraq was largely lost when it pulled its troops out of Iraq, shut off aid to the Kurds, and closed its border. If Baghdad chose to renege on its part of the agreement it would be difficult for Tehran to revive an effective Kurdish resistance movement inside Iraq.

20. We have considerable doubt that there will be a lasting reconciliation. Iran and Iraq are natural competitors in the Gulf.

— They are the most populous states.

— Each is rich in natural resources and has a large well-equipped army.

—Both the Shah and Saddam Husayn have widely differing views of how the region should evolve politically and both aspire to regional leadership and dominance.

21. Friction seems certain to revive if Iraq persists in meddling in Gulf states, and particularly if it continues to press neighboring Kuwait to cede territory flanking the Iraqi port of Umm Qasr. In any event, each will continue to compete for allies in the Gulf to strengthen its political and military position.

Implications for Iran

Domestic

22. The Algiers accord was one of two abrupt major policy decisions in early March that illustrated the Shah's increasingly arbitrary style of rule—the other being his decree of a one-party state for Iran. He apparently consulted no major figures before ditching the Kurds. Most advisers have become "yes-men" and there is virtually no public debate over policy issues. Thus there are few safeguards to miscalculation by him, nor any apparent mechanism for correcting error, beyond the Shah's own perceptions.

23. The Shah's Kurdish decision has domestic security implications. Many of the estimated 150,000 Kurdish refugees in Iran are embittered by what they regard as a betrayal, and some of Iran's own 1.5 million Kurds have expressed dismay at the abruptness of Iran's withdrawal of support from their Iraqi kinsmen.

24. We think Iranian security forces will be able to handle potential problems from both sources. Iran took the precaution of disarming Kurdish fighting men crossing the border prior to its closing and of isolating them from the civilian refugees. Tehran does not want the refugees to remain in camps and will attempt to integrate them into Iranian society, possibly in non-Kurdish areas. There is the possibility that some might resist efforts to settle them in areas markedly different from their mountainous homeland.

25. Baghdad, at Tehran's request, sent officials to the refugee camps to reassure the Kurds that they will be pardoned if they return to Iraq. We have received widely conflicting estimates on the number who have chosen to do so. Baghdad realizes, as does Tehran, that the Kurds pose a potential security problem for Iran, and probably has little interest in relieving the Shah of this burden.

Foreign

26. The agreement strengthens the principal rival capable of seriously challenging Iran in the Gulf, as well as a regime whose sponsorship of subversion and Arab radicalism and receptivity to Soviet influence has long been considered by the Shah as a threat to Iranian security. Iran may benefit from the gratitude of some Arab leaders who had argued the accord would lead to a moderation of Baghdad's present political stance, but others—

Kuwaitis, Syrians, and Omanis—worry that Baghdad may now devote more attention to its other feuds and border disputes. Turkish leaders welcome the accord because it puts an end to Iran's aid to Kurdish separatists; Ankara feared that there might be a spillover of the fighting or that the 3 million Turkish Kurds might become involved in an autonomy movement.

27. The Shah will try to use the accord to secure—with the help of other Arab leaders—a moderation of Baghdad's policies. In ending his aid to the Kurds and normalizing relations with Iraq, he strengthens the hand of Arab leaders who have been encouraging Saddam Husayn to reduce his ties to Moscow. The accord also helps undercut the charge of Arab radicals that Iran is an implacable foe of the Arabs.

28. To the extent that the Shah pushes for a reduction of Soviet influence in Iraq, he will come under pressure to demonstrate to Baghdad and other Arabs that Iran is not a tool of US policy in the region. He has previously joined other area states in insisting that Persian Gulf security is the responsibility of littoral states. He now may be willing to enlarge on this line, especially since Prince Fahd—whom the Shah feels is more likely to cooperate on regional security than was King Faysal—has attained a more influential role in Saudi Arabia.

29. Saddam Husayn has referred to the possibility of a collective security arrangement in the Gulf in several press interviews given since the accord was signed. He said in one that the Algiers accord foresaw some Iran-Iraq security cooperation. This goes well beyond any Iranian statements to date. A communique issued following a visit to Baghdad by the Iranian Prime Minister in late March affirmed only that the Gulf should be "spared all foreign interference." Iran's government-controlled press has repeated this theme several times since the accord was signed. Withdrawal of Soviet and US naval forces would leave Iran with the only significant naval force in the Gulf.

30. The Shah might be willing to state public opposition to the US naval role in the Gulf more forcefully in exchange for greater regional cooperation on security matters or for concrete examples of a lessened Soviet influence in Iraq. It is doubtful, however, that he would at this time work to secure the complete removal of the US presence in Bahrain.

31. The Shah naturally retains a deep suspicion that Iraq's foreign policy will continue to aim at creation of an anti-Iranian front in the Persian Gulf. If Baghdad continues to support subversion and radical Arab policies, the Shah probably will consider himself in a good position to insist that Egypt and Algeria—governments which encouraged his reconciliation with Baghdad—join Iran in addressing Iraqi "adventurism." He fears that moderate Arabs will seek their own accommodation with Iraq and even cooperate with Baghdad to limit Iranian influence on the Arabian peninsula.

32. The Shah's decision to end his support of the Kurds raised doubts about Tehran in the minds of some conservative Arab leaders with whom he is on good terms. Oman, for example, was caused to wonder about the steadfastness of Iranian support in the Dhofar fighting. Muscat probably was responding to rumors that an Iranian withdrawal from Dhofar was included in a secret protocol to the Algiers agreement. Oman has privately reemphasized to Tehran its need for Iranian aid. The Shah has shown no disposition to withdraw from Oman.

33. Jordan's King Husayn is deeply concerned over the agreement. He had hoped that Iraq could be persuaded to moderate its position toward the Kurds and that a settlement might be reached under which Barzani might retain his position as leader of the Kurdish community. Husayn now fears Iraqi subversive efforts, and he now wonders whether the rapprochement may have given the Iraqis license to do whatever they want in the Gulf.

34. The Algiers accord—reached during a summit meeting of OPEC—could complement other efforts to maintain unity within OPEC ranks because it eliminates a potentially divisive issue. The Shah probably believes the agreement enhanced his role in the organization especially with Arab oil producing states, who, in the event of worsened Iranian-Iraqi relations, might have found it politically expedient to oppose Tehran's policies in the OPEC venue.

Implications for Baghdad

35. The end of the Kurdish rebellion strengthens Saddam Husayn by removing a vulnerability that his critics could exploit. The present Baathist government, which took power in 1968, is an uneasy coalition of military and civilian factions. Saddam Husayn, who made the decision to use military means to deal with the Kurdish problem, leads the Baath party's civilian wing. The military's representative in the leadership, President Bakr, who is seriously ill and inactive, acquiesced. As the fighting dragged on, the decision drew heavier criticism, and the conflict became known as "Saddam Husayn's war."

36. Giving in to the Shah's demands on the Shatt al-Arab cost Baghdad something in national pride; but, by getting a free hand to deal with the Kurds and lessening the danger of war with Tehran the Iraqis gained more than they gave up. There has been no known public reaction in Iraq against Saddam Husayn's concession to Iran, nor have critics within the leadership tried to exploit the matter. The possibility remains, however, that if he stumbles on some other issue, his concession on the waterway could come back to bedevil him.

37. Although troublesome Kurdish-related questions have to be faced, Saddam can now redirect the regime's energies. Domestically, Saddam will concentrate on repairing damage to the economy stemming from the hostilities, which, he admits, cost the lives of 10,000 Iraqi troops. Demobilization of reserves will free manpower to return to civilian tasks and help ease shortages of food and consumer goods. Baghdad, moreover, can now allocate more of its resources to accelerating industrial development, and to efforts to subvert Gulf states and Syria.

The Kurds

38. As for the dealing with the Kurds, Iraq is relatively free to impose its will. Baghdad will grant no concessions to Kurdish aspirations for self-rule beyond the token legislative and executive bodies established last summer. Baghdad has made some efforts to Arabize Kurdistan by resettlement and may see this as part of the long-term solution to the problem.

39. Armed resistance by Kurds on the scale of 1974 is now out of the question. Preliminary indications suggest that about one-third of the 30,000-man Kurdish regular force intend to continue the insurgency using guerrilla tactics. The Kurds are believed to have cached large quantities of ammunition in the mountains before the Iraqi offensive in March. They may have also laid in additional stores of arms and supplies from Iran before the border was closed on April 1. The Kurds may try to establish lines of supply to the Syrian border. Despite Damascus' well-founded resentment of the subversive activities of the rival Baathist regime in Baghdad, Syria has more direct means of putting pressure on Baghdad than arming Iraqi Kurds.

40. Some die-hard Kurds hope that Iran may resume military assistance if implementation of the Algiers accord does not proceed smoothly. Such an eventuality appears unlikely, despite reports that Iran may be training some Kurds against the possibility of a breakdown. Although mutual suspicions run deep in Iranian-Iraqi relations, both sides have a major stake in keeping the new relationship intact, at least for the near term.

41. The decline in the Kurds' fortunes is matched by the disarray in their leadership. Mulla Mustafa Barzani, now in his early 70s, the personification of the autonomy movement, has effectively stepped down. The Shah's accord irreparably damaged Barzani's prestige and authority. No remaining rebel commander has the stature to replace him. The Kurdish central command may simply disappear and a number of independent rebel groups may try to carry on resistance against Baghdad.

42. It seems clear that without substantial support the rebels' resistance to Baghdad will be restricted to the harassment of government units and acts directed against economic targets. In their current frame of mind, the Kurds may even strike at Iraqi oil installations—heretofore proscribed from the rebels' target list at the insistence of the Iranians, who apparently feared that Iraqi terrorists might retaliate against the petroleum complex at Abadan.

Iraqi-US Relations

43. The end of the Kurdish rebellion removes one of the impediments to improved relations be-

tween Iraq and the US. The Iraqis probably believe that the US was collaborating with Iran—and Israel—in providing military assistance to the Kurds.

44. It is, however, the US role as Israel's principal backer that Baghdad sees as the main deterrent to better relations with Washington, and the Algiers agreement has not affected this. For the moment, Iraq probably sees no advantages in ending its status as the only Arab state, among those that broke with the US in 1967 over the Arab-Israeli war, that has not reestablished ties with Washington.

45. The absence of formal diplomatic ties has not obstructed rapid growth in commercial relations between Iraq and the US. In February, for example, Baghdad concluded a $225 million contract for Boeing aircraft, making Iraq one of the fastest growing markets for US products in the Middle East. Iraq still severely limits official contact with US diplomats attached to the interests section in the Belgian embassy. In sum, we doubt that Iraq would be receptive to any overtures to improve political relations unless there is a discernible change in overall US Middle Eastern policy.

The Soviet View

46. To our knowledge, the Soviet Union had no part in getting Iran and Iraq together. Moscow, in fact, probably has mixed feelings about the results of the Algiers meeting, although the USSR repeatedly has advocated a settlement of differences between Iran and Iraq and a granting of Kurdish autonomy. Now Moscow presumably is concerned about what the agreement may portend for Baghdad's relations with the Soviet Union.

47. Moscow is aware that Iraq may decide to take advantage of decreased regional tensions to accelerate its purchase of Western goods, technology, and developmental assistance, while reducing its dependence upon and cooperation with the Soviet Union and Eastern Europe. Even before the Algiers agreement, the Soviets had given indication of concern over what they saw as an Iraqi tendency to lean toward the West. Moscow knows that the Shah wants to wean the Iraqis away from the Soviets and to restrict the growth of Soviet influence in the Gulf.

48. On the other hand, the Algiers agreement has some positive features from Moscow's point of view. The end of the Kurdish war eliminates a threat to a regime in which Moscow has a substantial stake and with which the Soviets enjoy basically good, if sometimes troubled, relations. Moscow, moreover, no longer faces the unwelcome prospect of being importuned to back Iraq in full-scale fighting against Iran—with whom the Soviets have developed profitable commercial ties.

49. The Soviets are aware that over the short term Iraq cannot replace Soviet military hardware, with which Baghdad's forces are almost exclusively equipped. Iraq will remain dependent on the USSR for consumable supplies, spare parts, technical assistance, and training, although the need for resupply will now be less urgent. About 500 Soviet advisers are serving in training roles with the army and an additional 400-500 are with the Iraqi air force. The enhanced capabilities displayed by the Iraqi army were probably largely the result of Soviet training and advice. Recent purchases of additional MIG-23 aircraft and Scud missiles, complementing earlier deliveries of advanced weaponry (FROGs, TU-22s and SA-6s), are further indications that Baghdad intends to continue looking to Moscow for sophisticated weaponry.

50. The Soviets, however, have not been willing to give the Iraqis everything they want. A two-month delay last year before agreeing to Baghdad's requests for additional ammunition undoubtedly increased Iraqi concern about its dependence on one nation for its military needs. This has contributed to a Baghdad decision to diversify its sources of equipment. Baghdad has since approached the West for military equipment. France, which already had sold Iraq helicopters, armored personnel carriers, and light tanks, reportedly now has offered to sell Mirage aircraft.

51. Moscow also knows that there are powerful influences in Iraq at work to impede any significant turn away from Moscow. The Soviets recognize that historical animosities, distrust, and conflicting interests will be barriers to a significant or lasting accommodation between Baghdad and Tehran.

52. At the same time, the Soviet Union will continue to maintain cordial relations with Iran as a key element of its policy in the Persian Gulf. Although the accord could even lead to an improvement in relations; the Soviets have reasons to believe that the agreement presages a different power balance in the Persian Gulf that could further limit Soviet influence in the area.

Arab-Israeli Ramifications

53. Iran perceives the accord with Iraq as contributing to its effort to draw closer to the Arab states. The Shah, who aspires to regional leadership, does not wish to be classified as hostile to Arabs and a supporter of Israel. Moreover, it may be his perception that the power balance has shifted in favor of the Arabs. He might also anticipate an eventual modification of US policy toward Israel. The Shah does not want to be caught short.

54. Iran's diplomatic, economic, and intelligence ties to Israel are based on pragmatic, not emotional or ideological considerations. One such consideration is that Israel has served the same purpose toward the Arab world that the Kurds served toward Iraq: it has kept the Arabs off balance and occupied. As long as Israel remains militarily strong and able to absorb Arab energies, the Shah will regard his ties to Tel Aviv as in his interest, and he will maintain a quiet relationship.

55. To Tel Aviv, the touchstone of relations with Iran is the continued flow of Iranian oil—which meets about half of Israel's domestic requirements. Tehran's reconciliation with Baghdad will thus not by itself significantly alter Iranian-Israeli relations, although it has increased Israeli doubts about the Shah's willingness to supply petroleum should another Arab-Israeli war break out.

56. Since the mid-1960s, Iran aided and abetted Israeli help to the Kurdish rebels. Israel provided financial and material assistance and sent military and intelligence advisers to train Kurdish tribesmen at sites in Iraqi Kurdistan and Iran. A few Kurds may have been trained in Israel. This assistance was possible because of Iranian help and without it there is little chance that Tel Aviv will continue to aid the Kurds.

57. The collapse of the Kurdish rebellion and lessening of Iranian-Iraqi tensions will free much of Baghdad's military forces for use against Israel in the event of another war. In October 1973 Tehran's willingness—during a period of tension with Baghdad—to resume diplomatic relations with Iraq enabled the Iraqis to send two armored divisions to the Syrian front. We estimate that by this summer the Iraqis could again contribute as many as two armored divisions plus some aircraft to any renewal of Arab-Israeli fighting.

58. Iraq's help might be more effective than in 1973. At that time the Iraqi effort on the Syrian front was hampered by a shortage of tank transporters, an inadequate logistics system, and difficulties in coordinating operations with the Syrians. Soon after the October War, Baghdad took steps to increase its supply of armor transportation and improve its command-and-control procedures. The logistic system appears much more effective, largely as a result of experience gained in fighting the Kurds.

59. Despite the current cooperation between the two sides, however, Baghdad must still consider Iran the primary military threat and will deploy its troops accordingly. The Iraqi units will return to their normal areas of cantonment near the Iranian border. The Iraqi army suffered heavy casualties and moderate equipment losses during the year of fighting the Kurds but will experience little difficulty in refitting and bringing units up to strength for service against Israel.

60. The size of the force that Iraq contributes for service on the Israeli front will be determined by Baghdad's relations with the Arab belligerents when, and if, hostilities break out. Baghdad's strident calls for "liberation" of Israeli-occupied territory should not be read as an open-ended commitment of troops to another round of fighting. If the Iraqis do not believe the front-line Arab states intend an all-out prosecution of the war, Baghdad will not be disposed to make a maximum military contribution; and as in 1973, the reliability of its commitment would be subject to the vagaries of Iraq's political relations with other Arab belligerents.

Iraq's Regional Impact

61. The Algiers accord fits into the pattern emerging over the past year of Iraqi efforts to project an image of moderation in its regional policy and noninterference in the affairs of its neighbors. We are unable yet to tell whether there is any substance behind the image. Our initial impression, however, is that Baghdad's courtship of some Arabs and now Iran reflects an adaptation to internal and external pressures—the need, for example to end the Kurdish rebellion—and does not signal a basic shift in its foreign policy outlook in the near term.

62. Past performance does not encourage unquestioning acceptance of Saddam Husayn's new pose. Although his personal charm and dynamism have favorably impressed even many conservative Arab leaders, and apparently the Shah, his record is that of a dedicated Baathist revolutionary and meddler in the affairs of other countries.

63. We believe that the Iraqi Baathist leadership remains revolutionary in outlook and committed to trying to overturn conservative and moderate regimes in the Peninsula and the Gulf. Iraq may become more subtle in its tactics, however. Our best estimate is that Baghdad has adopted a two-tiered policy. It actively courts its neighbors on the diplomatic level, while it continues to interfere in their affairs. For a time, however, in keeping with the conciliatory spirit of Algiers, Baghdad may refrain from blatant involvement, such as its support last year of an effort to overthrow the North Yemen government and to replace it with a Baathist regime.

Subversion and Diplomacy

64. Freed of its battle against the Kurds, the Iraqis may well decide to focus their energies on covert operations aimed at extending their influence within the states of the Peninsula and the Gulf. Baghdad has never been better prepared financially for such undertakings. Iraq's oil income—an estimated $6.5 billion in 1974—is growing rapidly; by the end of the decade Iraq could surpass Iran in oil production.

65. In line with its new moderate posture, Baghdad will probably concentrate at first on building its clandestine assets through the quietly expanding Baathist cells in the small Gulf countries and increasing support of local dissidents. Iraq, moreover, can spend liberally to influence local officials and politicians. Iraqi embassies will probably acquire additional intelligence and security-related personnel.

66. At the same time, we anticipate that Saddam Husayn, concluding that the Algiers accord has neutralized earlier Iranian opposition, will embark on a new effort to create some kind of regional security pact or joint military unit among the Arab states of the Persian Gulf. We believe, however, that such a proposal will continue to encounter Iranian and Saudi Arabian resistance, as well as foot-dragging by the smaller states.

67. Baghdad's intentions with respect to its neighbors should be measurable by observable criteria. Critical tests will be how Iraq deals with its problems with Kuwait and Syria and its role in support of Omani rebels and other dissidents.

— Iraqi forces continue to occupy a strip of Kuwaiti territory seized in March 1973. The Kuwaitis fear that Baghdad—now free of the Kurdish situation—will increase pressure on them to cede two islands flanking the approaches to the port of Umm Qasr. The Kuwaitis expect both Iraqi diplomatic initiatives and military muscle-flexing along the border. Various Arab leaders including Sadat and Boumediene have been mentioned as being interested in mediating the dispute, and Baghdad's response will shed light on its general posture.

— Iraq has shown no inclination to refrain from subversive acts against the rival Baathist regime in Syria. It was just such acts which provoked Syria's latest squeeze of the Euphrates water supply and its earlier restrictions on Iraqi shipments through Latakia.

— To demonstrate its adherence to the principle of noninterference, Baghdad could curtail its support of the rebels in Oman's Dhofar province. We believe, however, the Iraqis will do their part to keep the Omani insurgency alive, coordinating their support to the rebels with that of South Yemen while maintaining a low

profile themselves. The Iraqis believe they can plausibly deny that they are providing the arms, money, and training. Baghdad may urge a shift in tactics to political subversion and terrorism in northern Oman, arguing that the rebels can revert to guerrilla warfare whenever the Iranians go home.

— If Algiers is really a bench-mark in Iraq-Iranian relations, Baghdad will end its support of Iranian separatists. For some time, Baghdad has sponsored a Khuzestan Liberation Front to promote separatists sentiments among Iranian Arabs and the Baluchi Liberation Front for the Baluchi tribes of southeastern Iran. Iraq has also meddled in Baluchi affairs in Pakistan.

Implications for Syria

68. How Baghdad deals with Syria will also be watched closely. Relations between the two are at one of their periodic lows. In addition to historic animosities between the two countries, Damascus and Baghdad have rival claims to leadership of the Baathist Movement. The news of the Iran-Iraq accord was not well received in Damascus: the Syrians would prefer to have Baghdad preoccupied with the Kurds. The Syrians expect the Iraqis to step up their propaganda attacks against Syrian participation in the Middle East peace negotiations and to feel freer to overthrow the Syrian regime.

69. The Syrians appear to have grounds for concern. In mid-March, a senior official of the Baath Party of Iraq privately commented that the Algiers agreement would free Baghdad to pursue a number of policy objectives among which is the creation of a government in Damascus more ideologically in tune with Baghdad. The official predicted an upswing in Iraqi sabotage and espionage operations against the Syrian Government.

70. In early April, an early issue flared up when the Iraqis charged that Damascus was violating an agreement by diverting waters from the Euphrates River. The Syrians publicly denied the charge but privately acknowledged they took the step to warn Baghdad to stop meddling in Syrian domestic affairs. Only a few weeks earlier Syrian authorities had rounded up 250-300 local Baath Party members on charges of conspiring with Iraq to oust President Asad.

Saudi Arabia

71. The agreement gives the new leadership in Riyadh more latitude to seek better and more complex relations with Iran. During the tension over the past year between Tehran and Baghdad, Iraq would have found it easy to criticize any such moves by the Saudis as inimical to Arab solidarity. Despite signs of a warming of Saudi-Iraqi relations—Saddam Husayn and Prince Fahd reportedly soon will exchange visits and the settlement of border problems appears to be near—the Saudis fear that Iraq, free from its Kurdish entanglement, will now be able to turn its attention to Persian Gulf affairs.

Egypt's Stake

72. Egypt's role in securing the Iran-Iraq agreement was undertaken to further its own efforts to maintain improving relations with Tehran and Baghdad. Sadat counts heavily on economic assistance from both countries, particularly Iran. He further regards Iran as an important partner and Iraq as a principal target for his efforts to exert a moderating influence throughout the Middle East.

73. The Iran-Iraq dispute was a major hindrance to both efforts. Sadat undoubtedly felt that his close ties to Tehran endangered Iraq's economic assistance and hampered his efforts to moderate Iraq's opposition to Arab-Israeli peace negotiations. In any case, as long as Tehran was skirmishing with an Arab country, Egypt was vulnerable to criticism from radicals for its good relations with Iran. Also, Sadat is fully aware that settlement of Iraq's problems with Iran and an end to the Kurdish war might free Iraqi troops to participate in another Middle East war; presumably he also hopes that improved ties with Baghdad will persuade the Iraqis to participate in an oil embargo if war breaks out. (Despite its rhetoric, Baghdad did not go along with the OAPEC embargo in 1973.)

74. Whatever Sadat hopes, Baghdad is not likely to repay Cairo for its mediation effort by softening

Iraq's stand against Arab negotiations with Israel. Baghdad sees merit in its rigid posture and no real disadvantages, at least while negotiations remain stalled. The Iraqis probably calculate that they can climb on the negotiations bandwagon if they sense that progress is being made toward a settlement.

75. For the moment, the Iraqis, allied with the fedayeen groups that reject the Palestine Liberation Organization's willingness to join in negotiations, prefer the adversary role. This posture, they reason, places them in the vanguard of the Arab world—purists who brook no compromise with the enemy. Should Egypt or Syria renounce the peaceful approach to a settlement, the Iraqis would be quick to point out to other Arabs that they were right all along. Baghdad would then exploit and harness the anticipated radicalization of Arab opinion toward Israel and the West.

Algerian Hopes

76. Though far from the front lines, President Boumediene undoubtedly expects to receive some financial aid and political support for his proposals for a new economic order as a fallout from his part in arranging the Algiers agreement. In need of funds to finance its ambitious four-year development plan, Algeria reportedly has requested $50 million from Iraq and may have also approached Tehran. On international issues, Boumediene probably hopes Iran and Iraq will support his views that oil discussions with consumers be held only in the context of all raw materials—not only oil, that the price of oil should be indexed to world inflation rates, and that all developing states should push for the radical transformation of the world economic system at the seventh special session of the UN General Assembly next September.